

Message Text

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ACTION EB-08

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TO SECSTATE WASHDC 7753
INFO USDOC WASHDC
AMCONSUL DHARHAN
USLO RIYADH

UNCLAS SECTION 1 OF 2 JIDDA 2268

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TAGS: BEXP, SA
SUBJECT: COUNTRY COMMERCIAL PROGRAM - PRELIMINARY FY-1979 INPUT
SAUDI ARABIA

REF: A) STATE 44899 B) 76 JIDDA 235

SUMMARY: EMBASSY WELCOMES OPPORTUNITY PROVIDE EARLY INPUT FOR CCP-FY 1979. HOWEVER, DEPARTMENT AND COMMERCE SHOULD BE AWARE OF WIDE POTENTIAL FOR SHIFT OF PRIORITIES DEPENDING ON SAUDI FIVE-YEAR PLAN CHANGES, THE POTENTIAL DELAYS IN IMPLEMENTATION OF INDUSTRIAL PROGRAMS AND THE LOCAL REACTION TO ANTICIPATED U.S. BOYCOTT LEGISLATION. IF IMPLEMENTATION OF THE 1975-80 FIVE-YEAR PLAN CONTINUES AS WE EXPECT IT TO, WITH MINOR DISRUPTIONS, THE CATEGORIES AND PRIORITIES PROVIDED IN REF (B) FOR FY-78 WILL STILL HOLD IN MANY INSTANCES FOR FY-79. MARKET STILL HAS GREATEST POTENTIAL FOR U.S. EFFORTS DESPITE LIMITED POPULATION BECAUSE THE GREAT BULK OF EQUIPMENT AND MATERIAL MUST BE IMPORTED AND ATTRITION ON EQUIPMENT IS HIGH. THIRD COUNTRY COMPETITION IS BECOMING KEENER AND DESPITE OUR IMPRESSIVE 1976 GAIN OF 86 PERCENT IN EXPORTS TO SAUDI ARABIA (\$2.7 BILLION

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VS \$1.5 BILLION IN 1975), OUR IMPORTS OF PETROLEUM HAVE ALMOST DOUBLED TO \$5.3 BILLION. FOR THESE REASONS IT IS EQUALLY IMPORTANT TO CONCENTRATE ON THE CHOICE OF PRODUCT LINES AND SERVICES THAT HAVE THE BEST POTENTIAL. END SUMMARY.

1. CCP CAMPAIGNS FY-79:

A) CAMPAIGN NO. 1

B) PRIORITY NO. 1

C) TITLE: CONSTRUCTION EQUIPMENT AND BUILDING MATERIALS

D) OBJECTIVES AND RATIONALE: BY FY 1979

HUGE AMOUNTS OF MACHINERY AND TRANSPORT EQUIPMENT WILL BE REQUIRED TO IMPLEMENT COMPLETION OF THE JUBAIL, GASIFICATION AND YENBO PROJECTS WHICH HAVE AN ESTIMATED COST OF OVER \$40 BILLION. IN ADDITION, WORK ON THE 800 MILE PIPELINE TO YENBO SHOULD BE UNDER WAY AND NEEDS FOR PIPELINE LAYING MACHINERY, TRANSPORT EQUIPMENT AND OTHER MATERIALS WILL BE IMMENSE. ROAD-MAKING EQUIPMENT FOR THE PLANNED 13,500 KILOMETERS OF NEW HIGHWAYS WILL NEED REPLENISHMENT. CONSTRUCTION OF A NEW BILLION-RIYAL MINISTRY OF FOREIGN AFFAIRS AT RIYADH AND THE ANTICIPATED RELOCATION OF 60 EMBASSIES WILL FUEL OTHER DEMANDS IN THIS SECTOR. CONSTRUCTION ON THE NEW RIYADH AND DHAHRAN AIRPORTS (\$2 BILLION) WILL BE INCIPIENT. THE MARKET FOR THE NEEDED EQUIPMENT AND MATERIALS IN THIS SECTOR IN FY-79 COULD EXCEED \$3 BILLION.

A) CAMPAIGN NO. 2

B) PRIORITY NO. 2

C) TITLE: COMMUNICATIONS EQUIPMENT

D) OBJECTIVES AND RATIONALE: THE MULTI-BILLION DOLLAR TELECOMMUNICATIONS PROJECT SHOULD BE WELL UNDER WAY AND THE SAUDI GOAL OF ADDING 600,000 LINES WILL PRESENT IMMENSE POTENTIAL FOR THE SALE OF UNCLASSIFIED

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TELEPHONES, TELEX MACHINES, AND ALL SPECIAL COMMUNICATIONS EQUIPMENT TO MAKE THE NEW LINES OPERATIVE. THE SAG HAS MADE IT A POLICY TO HAVE THE LATEST AND BEST IN THIS CATEGORY AND UPWARDS OF \$4 BILLION WILL BE SPENT IN IMPLEMENTING THE TELECOMMUNICATIONS BACKBONE PROJECT. THERE IS NO LOCAL MANUFACTURE AND NOEN ANTICIPATED. ALL PARAPHERNALIA WILL NEED TO BE IMPORTED. IN ADDITION TO THE DEMANDS FOR COMMUNICATIONS EQUIPMENT IN THE PUBLIC SECTOR, THERE ARE ADDITIONAL OPPORTUNITIES FOR SALE OF SUCH EQUIPMENT TO THE MINISTRIES OF DEFENSE AND AVIATION, INTERIOR, AND URBAN AND RURAL AFFAIRS. PIPELINE AND PORT COMMUNICATIONS EQUIPMENT WILL BE REQUIRED FOR PERTINENT PROJECTS. THE CONSTRUCTION OF 145 NEW PORT BERTHS AND ANTICIPATED HEAVIER SHIPPING WILL ALSO NEED COMMUNICATIONS. THE ROAD PROJECTS WILL ALSO CREATE HEAVY NEEDS FOR COMMUNICATIONS EQUIPMENT.

A) CAMPAIGN NO. 3

PRIORITY NO. 3

C) TITLE: ENERGY SYSTEMS AND ELECTRIFICATION

EQUIPMENT

D) OBJECTIVES AND RATIONALE: SAG PLANS CALL FOR CREATION OF COMPLETE CITIES: AL BATIN, TABUK, KHAMIS MUSHAIT, JIZAN, YENBO, JUBAIL, ETC., WHICH WILL REQUIRE HUNDREDS OF MILES OF CABLE, WIRE, SWITCHES, POWER TRANSMISSION SUBSTATIONS AND GENERATING EQUIPMENT IN ALL SIZES AND CATEGORIES. THE ELECTRIFICATION OF 36 MUNICIPALITIES HAS A HIGH PRIORITY. DESPITE FACT THAT SOME LESS DEVELOPED COUNTRIES MAY BE CONTRACT BID WINNERS, MUCH OF THE EQUIPMENT WILL HAVE TO COME FROM DEVELOPED THIRD COUNTRIES TO MEET SPECIFICATIONS. WITH 60-CYCLE CURRENT AND INTENTIONS TO MAKE 127/220 VOLTS THE

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R 231500Z MAR 77
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NORM, CONFORMING TO U.S. ELECTRICITY CHARACTERISTICS, THE U.S. SHOULD BE IN A GOOD POSITION TO BECOME THE PREEMINENT SUPPLIER OF THESE ITEMS. THE DESALINATION PROJECTS WHICH WILL ALSO GENERATE ELECTRICITY ALSO WILL SERVE TO INCREASE DEMAND FOR ENERGY RELATED GOODS. 76 JIDDA 2351 AND JIDDA A-20 EXPAND FURTHER ON NEEDS IN THIS CATEGORY.

A) CAMPAIGN NO. 4

B) PRIORITY NO. 4

C) TITLE: AVIONICS AND GROUND SUPPORT SYSTEMS

D) OBJECTIVES AND RATIONALE: IN ADDITION TO THE NEW MAMMOTH AIRPORTS PLANNED AT JIDDA, RIYADH AND DHAHRAN, THE SAG WILL CONSTRUCT 12 OTHER FEEDER AIRPORTS IN THE PROVINCES. THE JIDDA AIRPORT NOW HAS AN ESTIMATED PRICE TAG OF \$4 BILLION; RIYADH AIRPORT WILL

COMPRIZE AN AREA OF 105 SQUARE MILES. IN 1977 AIR-CRAFT PURCHASES BY THE SAG WILL TOTAL \$393 MILLION. SAUDIA IS NOW AVERAGING 300,000 PASSENGERS A MONTH AND THIS IS EXPECTED TO GROW. TRAFFIC CONTROL SYSTEMS, GROUND APPROACH EQUIPMENT, RUNWAY AND TERMINAL EQUIPMENT, FIRE CONTROL SYSTEMS, TERMINAL AND HANGAR BUILDING EQUIPMENT WILL BE IN HIGH DEMAND, AND PURCHASES SHOULD BEGIN IN FY-79. THE GROWING PILGRIMAGE TRAFFIC NOW AVERAGING ONE MILLION UNCLASSIFIED

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PASSENGERS DURING THE SEASON REQUIRES PASSENGER AND BAGGAGE HANDLING EQUIPMENT. IN ADDITION, AIR-CRAFT SERVICING EQUIPMENT, REFUELING SYSTEMS AND TERMINAL MAINTENANCE EQUIPMENT WILL BE IN HIGH DEMAND.

A) CAMPAIGN NO. 5

B) PRIORITY NO. 5

C) TITLE: HOSPITAL AND HEALTH CARE EQUIPMENT

D) OBJECTIVES AND RATIONAL: TOP PRIORITY, FOR SOCIO-ECONOMIC REASONS, IS BEING PLACED ON EXPANDING HEALTH FACILITIES BY 11,500 HOSPITAL BEDS BY 1980. WHILE THE \$7 BILLION SAG INVESTMENT TARGET IN THIS SECTOR MAY NOT BE MET BY THIS DATE, WE BELIEVE THE MOMENTUM OF THE PROGRAM, GIVEN ITS SOCIAL SIGNIFICANCE, WILL PROCEED. PRIVATE SECTOR CLINICS, ENCOURAGED THROUGH SAG SOFT LOANS FOR BUILDINGS AND EQUIPMENT, ALSO OFFER SIGNIFICANT MARKET.

A) CAMPAIGN NO. 6

B) PRIORITY NO. 6

C) TITLE: INSTITUTIONAL EQUIPMENT AND FURNITURE

D) OBJECTIVES AND RATIONALE: SAG AND PRIVATE SECTOR BUILDING PROGRAM REQUIRES MASS FEEDING PROGRAMS FOR ON-SITE CONSTRUCTION LABORERS AND CAFETERIAS FOR INSTITUTIONAL EMPLOYEES. CATERING SUPPLIES AND FOOD SERVICES EQUIPMENT ARE NEEDED FOR NEW MINISTRIES, HOSPITALS, MILITARY CANTONNENTS, INDUSTRIAL TOWNS AND NEW CITIES (E.G., JUBAIL, YENBO, JIZAN), AIR-PORTS, PILGRIMAGE HOSTELS, AND LARGE NUMBER OF NEW HOTELS.

A) CAMPAIGN NO. 7

B) PRIORITY NO. 7

C) TITLE: WATER RESOURCRES RELATED PRODUCTS AND SERVICES

D) OBJECTIVES AND RATIONALE: THE SINGLE MOST PRECIOUS RESOURCE IN SAUDI ARABIA IS WATER. INCREASED INDUSTRIALIZATION, URBANIZATION, POPULATION UNCLASSIFIED

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AND STANDARDS OF LIVING HAVE PUT AN ENORMOUS STRAIN
ON THE LIMITED WATER SUPPLY CAPACITY. THE ANTICI-
PATED SEAWATER DESALINATION PROGRAM FOR 1977-1982
TOPS \$15 BILLION. DEEP WELL DRILLING AND DE-
MINERALIZATIONS PROGRAMS ARE CONTINUALLY BEING
EXPANDED. THE MARKET IS EXCEPTIONALLY ATTRACTIVE
FOR WATER WELL DRILLING EQUIPMENT, DEMINERALIZATION
AND DESALINATION EQUIPMENT, URBAN WATER DISTRIBUTION
SYSTEMS, WATER PIPES AND PUMPS, WATER PURIFICATION
EQUIPMENT AND FILTERS FOR DOMESTIC USE, AND SEWAGE
DISPOSAL SYSTEMS.

2. OTHER SIGNIFICANT THEMES WHICH COULD BE SUC-
CESSFULLY PROMOTED HERE INCLUDE: BUSINESS
EQUIPMENT AND SYSTEMS; EDP COMPUTERS AND PERIPHERAL
EQUIPMENT AND SERVICES; LEISURE EQUIPMENT FOR
HOMES AND PLANNED NEW PUBLIC SPORTS ARENAS
(WHICH WILL INCLUDE SWIMMING POOLS, BOWLING
ALLEYS, WATER SPORTS, GOLF, TENNIS, SQUASH,
FENCING, SOCCER, ETC.). LATTER CATEGORY ALSO
WOULD ENCOMPASS RECREATIONAL EQUIPMENT FOR
MUNICIPAL PARKS, CAMPING SITES AND PROPOSED
NATIONAL PARK.

3. THE LARGEST SOURCE OF MONETARY RETURNS FOR THE U.S.
FROM SAUDI ARABIA WILL BE THE OBTAINING OF WORK CONTRACTS
BY AMERICAN FIRMS ON MULTIBILLION DOLLAR PROJECTS STILL
IN THE OFFING. ALL USG AGENCIES SHOULD GIVE TOP PRIORITY
TO ASSISTING AMERICAN CONTRACTORS IN OBTAINING PROJECTS
HERE. U.S. FIRMS SHOULD BE ENCOURAGED TO PARTICIPATE IN
ALL CONSTRUCTION TENDERS WHICH IN FY 1979 COULD EXCEED
\$20 BILLION. THE MULTIPLIER FACTOR IN U.S. MAJOR CONTRACT
AWARDS WILL SERVE AS WELL AS ANY OTHER CCP EFFORT TO
INCREASE U.S. MATERIAL EXPORTS.

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